



ECONOMIC INDICATORS

MARCH - APRIL 2000

REVIEW OF RECENT ECONOMIC DEVELOPMENTS

California surged into 2000. Employment growth accelerated from the end of 1999, and construction activity and home sales remain vigorous.

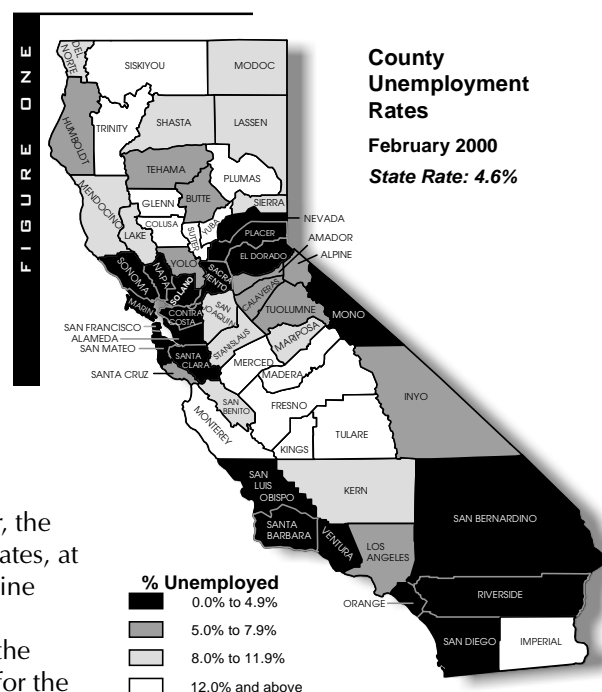
EMPLOYMENT

NONFARM
EMPLOYMENT
GREW 3%

Nonfarm employment exhibited commendable growth during the first three months of 2000—expanding each month by well over 400,000 jobs on a year-over-year basis. Total year-to-year nonfarm employment grew 3.1 percent in both January and February and 3.0 percent in March. The March employment report, however, presents a puzzle discussed below.

Nonfarm employment increased 425,900 in January and 425,100 in February on a year-over-year basis. Construction employment was the growth rate leader in both months—advancing 8 percent in January and 9 percent in February. The largest job gains were made in services, followed by trade and government employment. Services added 178,500 jobs in February—over half in business services, which includes personnel supply and computer programming services. Engineering and management, health services, and social services also made significant gains.

The state's unemployment rate—estimated from a limited survey of households and subject to considerable monthly variations—dropped two-tenths of a percent in January to 4.8 percent, then fell again in February to 4.6 percent. This is the lowest rate recorded in the current employment series which dates back to January 1970. Moreover, the gap between the U.S. and California jobless rates, at only 0.5 percent, is the lowest in more than nine years. In February, the number of employed persons—including agricultural workers and the self-employed—crossed the 16 million mark for the first time. The number of unemployed, 778,000, was the lowest since February 1990, when there were nearly 1.6 million fewer Californians in the workforce. The state's unemployment rate was 5.0 percent at the end of 1999 and 5.7 percent at the end of 1998.



Employment Data Revisions	3
Economic Indicator Tables	5
Economic Indicator Charts	8
Chronology	13

AN UNUSUAL REPORT FOR MARCH

March's employment report should be viewed as an anomaly. It showed less than normal job growth and rising unemployment. The March unemployment rate rose three-tenths of a percent to 4.9 percent. Civilian employment fell in March for the first time since November 1995. One needs to go back to September 1990 to find a larger month-to-month drop.

Seasonally adjusted nonfarm employment rose only 15,600 in March following 40,000-plus gains in December, January, and February. The unadjusted job counts for several sectors—construction most notably—actually grew in March but were turned into losses when seasonally adjusted. Unadjusted employment data shows construction employment growing a modest 4,400 in March*, which became an almost 7,000 job loss when seasonally adjusted.

This drop follows average month-to-month gains of 7,300 in January and February. Thus, construction alone explains over 14,000 of March's weakness. Similar, but far less dramatic results appeared in the durable manufacturing, wholesale trade and finance, insurance, and real estate sectors.

Another anomaly is the apparent absence of federal government hiring for the Census. As the Census entered the labor intensive phase, employment expanded by 110,000 in March. Given the state's size relative to the nation, California's share of this growth should have been on the order of 12,000 to 14,000. The March employment report, though, indicated only a 6,500 federal employment increase.

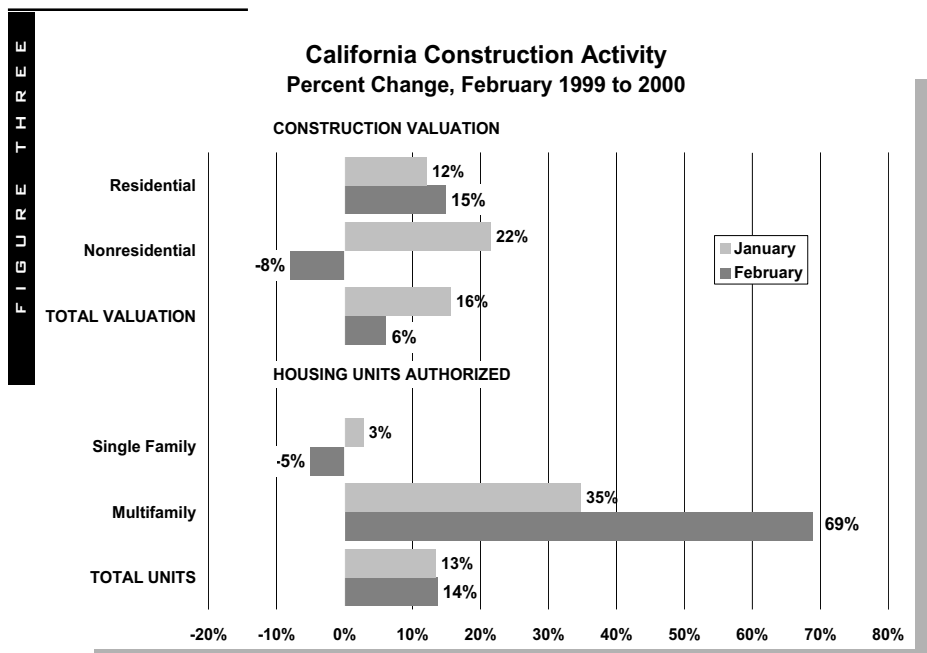
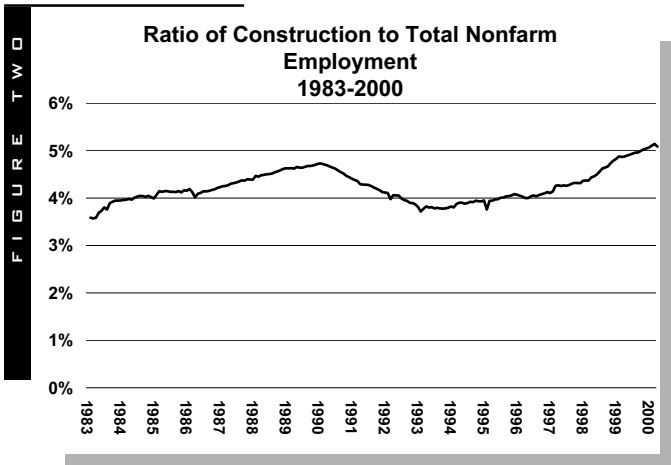
BUILDING ACTIVITY

Overall construction activity experienced healthy growth in both January and February, although the growth pattern differed significantly between the two months.

Total permitted construction value in February was 6 percent greater than a year ago. Residential construction value rose 15 percent over the year. Following three months of outstanding year-over-year growth, nonresidential construction value in February fell 21 percent from January, and was 8 percent below the level reached one year ago.

STRONG MULTI-FAMILY GROWTH

**It is possible that a shortage of construction workers may have led to the limited growth in March. The proportion of the industrial workforce employed in construction is the highest it has been in decades as indicated in the graph below.*



While total residential permits rose in February, the results were very mixed. Single-family home building declined 5.1 percent in February from the same time last year. In contrast, multifamily construction grew dramatically, rising 69 percent above the level a year ago. January and February multifamily permitting averaged almost 67,000 units, on a seasonally adjusted annual rate basis, compared to 45,000 units during the same months of 1999. A total of 71,800 units were permitted in January and 61,800 in February.

REAL ESTATE

A JUMP IN EXISTING HOME SALES

Despite rising home mortgage interest rates, buoyant consumer confidence is maintaining a healthy real estate market. Existing home sales in February rose to 560,700 units (seasonally adjusted annual rate) in February—almost a 20 percent jump from January and a 7.5 percent increase from February 1999.

Rising home sales, combined with a tighter supply, accelerated home price growth in February. The median price of a single-family home reached \$231,710 in February, a 17.1 percent increase from a year ago. The inventory of unsold homes declined to a 4.6 months supply, down from 5.2 months in January and 6.9 months in February 1999.

FIGURE FOUR

CHANGE FROM 1998 BENCHMARK
Major Metropolitan Statistical Areas

	1998		1999	
	No.	%	No.	%
SOUTHERN CALIFORNIA				
Los Angeles	(3,135)	-0.1%	(22,112)	-0.5%
Orange County	3,963	0.3%	8,337	0.6%
Riverside-San Bernardino	7,043	0.8%	21,160	2.3%
San Diego	5,143	0.5%	28,265	2.5%
Ventura	1,007	0.4%	2,013	0.8%
SAN FRANCISCO BAY AREA				
Oakland	678	0.1%	3,355	0.3%
San Francisco	(907)	-0.1%	10,800	1.0%
San Jose	(1,057)	-0.1%	6,487	0.7%
CENTRAL (SAN JOAQUIN) VALLEY				
Bakersfield	128	0.1%	(1,098)	
Fresno	1,040	0.4%	1,213	0.4%
Modesto	(323)	-0.2%	782	0.6%
Stockton-Lodi	(670)	-0.4%	2,303	1.3%
SACRAMENTO REGION				
Sacramento	3,945	0.6%	17,615	2.6%

REVISED GROWTH RATES
Major Metropolitan Statistical Areas

	Bench 1998		Bench 1999	
	No.	%	No.	%
SOUTHERN CALIFORNIA				
Los Angeles	80,767	2.0%	61,790	1.6%
Orange County	41,567	3.2%	45,940	3.5%
Riverside-San Bernardino	37,233	4.3%	51,350	5.8%
San Diego	21,608	2.0%	44,730	4.0%
Ventura	9,583	3.8%	10,590	4.2%
SAN FRANCISCO BAY AREA				
Oakland	31,033	3.2%	33,710	3.5%
San Francisco	19,133	1.9%	30,840	3.0%
San Jose	4,967	0.5%	12,510	1.3%
CENTRAL (SAN JOAQUIN) VALLEY				
Bakersfield	5,467	3.0%	4,240	2.3%
Fresno	8,867	3.2%	9,040	3.2%
Modesto	3,125	2.3%	4,230	3.1%
Stockton-Lodi	3,767	2.2%	6,740	3.9%
SACRAMENTO REGION				
Sacramento	21,100	3.3%	34,770	5.3%

Rising mortgage interest rates and home prices led home affordability in California to take its largest dip in over a decade in February, according to the California Association of Realtors. The affordability index—the percentage of households that can afford to purchase a median-priced home in California—stands at 32 percent, 11 percentage points below where it stood one year ago. Over the same period, the national rate has fallen only 3 percentage points to 54 percent.

EMPLOYMENT DATA

REVISIONS

Detailed industry employment data is probably one of the most valuable monthly economic indicators, because it provides insight into industry trends beyond overall employment levels. It is also very credible because it is based on a large-sample business survey that is calibrated with actual payroll tax information. The official nonfarm employment series is derived from a monthly survey of about 36,000 firms that employ about 35 percent of all payroll employees in the state. In March of each year the California Employment Development Department calibrates, or “benchmarks,” these estimates to the year’s first quarterly tax tabulations from the unemployment insurance program, which covers virtually all private employers in California (the ES-202 report). The first-quarter tax information undergoes a rigorous review and editing process to ensure its accuracy. Thereafter, until a new benchmark is established the following year, monthly employment estimates are calculated based solely on the trends indicated by the establishment survey.

In addition to forming the basis for future monthly estimates, each “benchmark” is also applied to estimates for the prior two years. Thus, in March of each year employment “history” for the previous two years is revised. The employment estimates for 1998 and 1999 were recently revised—or “rebenchmarked.”

The statewide nonfarm employment estimates for each year were essentially unchanged. However, several significant changes are evident in the details with some notable revisions in both the geographic and industry breakdowns.

The most dramatic revisions appear in the changes to geographic employment levels. As the state's most populous region, it is not surprising that the largest numerical revisions were made to Southern California employment. The Los Angeles metropolitan statistical area (MSA) received the largest job count reduction for both 1998 and 1999. Riverside-San Bernardino's 1998 employment count increased over 7,000, which gave it the largest numerical and percentage upward revision for that year. San Diego employment gained the most in 1999—adding over 28,000 jobs. On a percentage basis though, Sacramento MSA edged out San Diego, with a 2.6 percent upward revision.

The new 1999 regional employment growth rates are also notable. Most dramatically, San Diego's job gains in 1999 were more than doubled by the revision—rising from 21,600 to over 44,000. Its growth rate also rose from a below-average 2 percent to a well above-average 4 percent. Los Angeles's job growth was slashed by nearly a quarter—reducing job gains by almost 19,000.

Mining, construction, manufacturing, and services received the largest industry revisions. Construction employment received the strongest upward revisions in both 1998 and 1999 in terms of both employment numbers and degree of revision. Construction employment in 1999 was revised up almost 4 percent with the addition of over 23,000 jobs. Manufacturing received the greatest downward revision to its total job count in 1998. Most of it was due to reductions in apparel, instruments, electronic equipment, transportation equipment, and industrial machinery (including computers). Mining employment received the strongest proportional reduction—falling by 1.1 percent. As for downward revisions to 1999, the service sector shows the greatest reduction on a numerical basis. Engineering and Management services were reduced by a considerable 23,000 jobs, or 5.0 percent.

Industry growth rates were also significantly affected in some cases. Construction employment growth in both 1998 and 1999 received the greatest upward revision of all industries.

Finally, some caution is warranted in interpreting these data. The revisions include certain “non-economic” changes that arise when an employer moves from one county to another, or the nature of its predominate activity changes sufficiently to justify a change in industry coding. For example, part of the upward revision to Riverside-San Bernardino reflects movement from Los Angeles County, for which employment data were revised down.

FIGURE FIVE

CHANGE FROM 1998 BENCHMARK Industry Employment		
	1998	1999
TOTAL NONFARM	12,003 0.09%	(3,053) -0.02%
Mining	(292) -1.1%	(70) -0.3%
Construction	9,747 1.6%	23,462 3.6%
Manufacturing	(9,305) -0.5%	(26,812) -1.4%
Transportation & Public Utilities	1,432 0.2%	3,633 0.5%
Trade	1,663 0.1%	17,705 0.6%
Finance, Insurance & Real Estate	1,442 0.2%	9,423 1.2%
Services	4,812 0.1%	(40,153) -0.9%
Government	2,505 0.1%	9,768 0.4%

REVISED GROWTH RATES Industry Employment			
	Benchmark	1998	1999
TOTAL NONFARM	1998	3.5%	2.9%
	1999	3.6%	2.8%
Mining	1998	-12.3%	-6.6%
	1999	-13.4%	-5.8%
Construction	1998	9.4%	9.0%
	1999	11.1%	11.1%
Manufacturing	1998	2.4%	-0.5%
	1999	1.9%	-1.4%
Transportation & Public Utilities	1998	4.6%	3.1%
	1999	4.8%	3.4%
Trade	1998	2.4%	1.7%
	1999	2.5%	2.2%
Finance, Insurance & Real Estate	1998	5.2%	1.8%
	1999	5.4%	2.8%
Services	1998	4.8%	4.7%
	1999	4.9%	3.6%
Government	1998	1.1%	2.8%
	1999	1.2%	3.2%

For a more detailed description of the Industry employment series, see the July/August 1999 issue of California Economic Indicators. (http://www.dof.ca.gov/html/fs_data/indicatr/ei_home.htm) or review the California Employment Development Department's Labor Market Information. (<http://www.calmis.cahwnet.gov/htmlfile/subject/indtable.htm>)

SELECT INDICATORS

EMPLOYMENT

— . . . —

	2000			1999		Yr-Over-Yr % Change
	Mar	Feb	Jan	Dec	Mar	
EMPLOYMENT (Seasonally adjusted)						
Civilian employment (000)	15,987	16,027	15,994	15,898	15,601	2.5
Unemployment (000)	822	779	800	828	907	-9.4
Unemployment rate	4.9	4.6	4.8	5.0	5.5	--
Nonagricultural wage and salary employment (00	14,268.1	14,252.5	14,211.5	14,171.3	13,855.5	3.0
Mining	23.5	23.6	23.9	23.1	24.1	-2.5
Construction	713.2	720.1	713.3	705.5	663.1	7.6
Manufacturing	1,920.8	1,921.9	1,921.3	1,924.6	1,923.9	-0.2
High technology a/	498.6	499.3	500.5	504.6	518.6	-3.9
Aircraft and parts	79.0	79.4	80.2	81.1	85.4	-7.5
Missiles and space vehicles	21.4	21.6	21.8	22.0	23.1	-7.4
Search and navigation equipment	51.2	51.4	51.2	51.6	55.5	-7.7
Computer and office equipment	92.0	92.2	92.6	94.6	98.1	-6.2
Communications equipment	39.1	39.2	39.2	39.4	40.8	-4.2
Electronic components	152.2	152.1	152.4	152.8	152.9	-0.5
Measuring and controlling devices	63.7	63.4	63.1	63.1	62.8	1.4
Transportation and public utilities	739.0	738.3	735.5	730.4	709.7	4.1
Trade	3,246.6	3,246.7	3,228.5	3,235.9	3,170.1	2.4
Finance, insurance and real estate	830.3	831.1	829.1	826.5	818.3	1.5
Services	4,499.4	4,490.7	4,484.8	4,463.0	4,323.2	4.1
Government	2,295.3	2,280.1	2,275.1	2,262.3	2,223.1	3.2

HOURS & EARNINGS

— . . . —

HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)						
Average weekly hours	41.3	41.0	41.3	42.2	41.9	-1.4
Average weekly earnings	\$581.09	\$576.05	\$581.92	\$594.60	\$579.90	0.2
Average hourly earnings	\$14.07	\$14.05	\$14.09	\$14.09	\$13.84	1.7

CONSUMER PRICES

— . . . —

CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)						
All Urban Consumers Series						
California Average	n.a.	171.9	n.a.	170.0	n.a.	--
San Francisco CMSA	n.a.	176.5	n.a.	174.5	n.a.	--
Los Angeles CMSA	170.6	169.2	167.9	167.3	165.0	3.4
Urban Wage Earners and Clerical Workers Series						
California Average	n.a.	165.3	n.a.	163.8	n.a.	--
San Francisco CMSA	n.a.	172.5	n.a.	170.9	n.a.	--
Los Angeles CMSA	163.9	162.4	161.2	160.9	158.3	3.5

	2000			1999		Yr-Over-Yr % Change
	Feb	Jan		Nov	Feb	

CONSTRUCTION

— . . . —

CONSTRUCTION						
Private residential housing units authorized (000)	163.7	181.7	150.8	142.3	144.0	13.7
Single units	102.0	109.9	112.8	92.9	107.4	-5.1
Multiple units	61.8	71.8	38.0	49.3	36.6	68.8
Residential building authorized valuation (millions) c/	\$2,474	\$2,444	\$2,603	\$2,111	\$2,153	14.9
Nonresidential building authorized valuation (millions) c/	\$1,254	\$1,595	\$1,667	\$1,729	\$1,363	-8.0
Nonresidential building authorized valuation (millions) d/	\$1,038	\$1,305	\$1,364	\$1,463	\$1,131	-8.2
Commercial	316	532	597	580	361	-12.4
Industrial	109	149	130	185	154	-29.1
Other	130	143	164	150	169	-22.8
Alterations and additions	482	481	473	547	447	7.8

AUTO SALES

— . . . —

AUTO SALES (Seasonally adjusted)						
New auto registrations (number)	149,794	153,096	153,364	142,936	128,279	16.8

a/ Based on the 1987 SIC codes. These values are not seasonally adjusted.

b/ Seasonally adjusted at annual rate

c/ Seasonally adjusted

d/ Not seasonally adjusted

n.a. Not available

**SELECT
INDICATORS
(CONTINUED)**

VACANCY RATES

**Vacancy Rates for Third Quarter 1999
(Percent)**

	Office			Industrial
	Total	Downtown	Suburban	
Northern and Central California:				
Fresno	14.0	31.2	10.9	9.5
Oakland-East Bay	7.7	10.6	7.0	--
Sacramento	8.4	6.5	9.0	9.0
San Francisco	3.6	3.4	3.9	7.2
San Jose	4.1	4.9	3.8	--
Southern California:				
Bakersfield	17.9	12.3	20.9	--
Los Angeles	13.3	18.1	12.2	7.3
Orange County	11.8	--	11.8	--
San Diego	7.8	10.5	7.1	7.5
Ventura County	12.3	--	12.3	--
National Average	9.6	9.0	10.1	8.1

HOME PRICES

Median Price of Existing Single-family Homes

1999				2000	
Jan	\$202,201	Jul	221,370	Jan	\$233,947
Feb	197,870	Aug	222,950	Feb	231,706
Mar	212,330	Sep	220,330		
Apr	217,090	Oct	219,140		
May	225,280	Nov	221,890		
Jun	226,140	Dec	221,500		

**LEADING
INDICATORS/A**

		Manufacturing Overtime Hours	Average Weekly Hours	Unemployment Insurance Initial Claims	New Business Incorporations	Housing Unit Authorizations (Thousands)
1997	Jan	4.8	41.6	66,092	4,679	92.9
	Feb	4.8	41.8	56,785	4,347	124.2
	Mar	5.1	42.1	59,609	3,578	94.5
	Apr	5.0	41.9	59,107	4,061	103.3
	May	5.0	41.9	60,324	4,456	108.8
	Jun	5.0	41.9	63,124	4,405	108.7
	Jul	4.9	41.9	62,356	4,740	114.1
	Aug	5.0	42.0	62,326	4,213	114.0
	Sep	4.9	41.8	62,989	4,751	118.2
	Oct	4.9	42.0	61,242	4,681	131.4
	Nov	5.0	42.2	59,120	4,386	115.4
	Dec	5.2	42.1	58,601	4,815	109.3
1998	Jan	5.2	42.2	57,572	4,676	113.1
	Feb	5.0	41.9	60,703	4,543	116.2
	Mar	4.9	41.9	57,883	4,621	119.1
	Apr	4.5	41.1	58,845	5,275	116.1
	May	4.8	41.9	57,980	4,454	119.5
	Jun	4.9	41.9	54,154	4,777	148.3
	Jul	4.7	42.1	54,407	4,844	120.1
	Aug	4.6	41.7	53,096	4,357	135.8
	Sep	4.4	41.3	49,321	3,732	121.9
	Oct	4.7	41.8	53,693	4,617	132.8
	Nov	4.6	41.7	54,886	4,682	136.9
	Dec	4.6	41.8	54,275	4,602	129.5
1999	Jan	4.7	42.2	51,629	4,899	160.1
	Feb	4.7	41.9	53,117	5,023	144.0
	Mar	4.6	41.9	53,132	6,068	128.1
	Apr	4.7	41.9	53,377	5,371	137.3
	May	4.9	42.1	50,748	5,189	135.7
	Jun	4.8	41.9	51,006	5,621	156.3
	Jul	4.5	41.9	52,447	5,321	146.4
	Aug	4.5	41.5	49,824	5,783	137.2
	Sep	4.5	41.2	49,920	5,816	126.0
	Oct	4.8	41.6	48,707	5,534	127.3
	Nov	4.8	41.5	52,157	5,960	142.3
	Dec	4.9	41.5	45,043	6,471	150.8
2000	Jan	5.0	41.6	51,360	6,475	181.7
	Feb	4.9	41.3	47,231	6,715	163.7
	Mar	4.9	41.3	47,618	n.a.	n.a.

a/ Seasonally adjusted by the California Department of Finance.

n.a. Not available

COINCIDENT INDICATORS/^a

EMPLOYMENT, UNEMPLOYMENT

— . . . —

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
1997	Jan	12,903	1,878	6.7	449
	Feb	12,968	1,887	6.5	410
	Mar	13,017	1,895	6.4	378
	Apr	13,080	1,899	6.4	399
	May	13,096	1,905	6.3	371
	Jun	13,129	1,913	6.3	384
	Jul	13,158	1,920	6.2	396
	Aug	13,176	1,923	6.2	375
	Sep	13,220	1,927	6.2	385
	Oct	13,253	1,933	6.2	383
	Nov	13,263	1,942	6.1	372
	Dec	13,332	1,952	6.1	381
1998	Jan	13,405	1,954	6.0	342
	Feb	13,428	1,957	6.1	362
	Mar	13,454	1,960	6.0	369
	Apr	13,495	1,960	6.0	369
	May	13,537	1,965	6.0	360
	Jun	13,578	1,962	5.9	359
	Jul	13,604	1,946	5.9	349
	Aug	13,649	1,945	5.9	358
	Sep	13,705	1,953	5.9	358
	Oct	13,728	1,944	5.8	329
	Nov	13,768	1,937	5.8	351
	Dec	13,801	1,933	5.7	351
1999	Jan	13,786	1,925	5.6	362
	Feb	13,827	1,923	5.5	367
	Mar	13,856	1,924	5.5	377
	Apr	13,900	1,925	5.4	365
	May	13,925	1,924	5.3	381
	Jun	13,948	1,923	5.2	384
	Jul	14,002	1,922	5.1	348
	Aug	14,033	1,923	5.0	358
	Sep	14,064	1,927	5.0	369
	Oct	14,084	1,924	5.0	339
	Nov	14,121	1,923	4.9	343
	Dec	14,171	1,925	5.0	323
2000	Jan	14,212	1,921	4.8	362
	Feb	14,253	1,922	4.6	346
	Mar	14,268	1,921	4.9	353

INCOME, WAGES, TAXABLE SALES

— . . . —

		Personal Income (\$ millions)	Wages & Salaries from Mining, Construction and Manufacturing (\$ millions)	Taxable Sales (\$ millions)
1995	Qtr I	737,678	85,168	72,857
	Qtr II	752,820	86,492	74,983
	Qtr III	760,687	87,799	75,964
	Qtr IV	765,892	88,762	76,901
1996	Qtr I	786,401	93,690	79,237
	Qtr II	791,576	90,948	80,184
	Qtr III	795,922	90,009	80,345
	Qtr IV	818,180	95,666	81,202
1997	Qtr I	826,792	99,871	83,079
	Qtr II	836,688	101,755	84,942
	Qtr III	849,492	103,650	85,985
	Qtr IV	871,098	106,328	87,745
1998	Qtr I	881,347	108,143	87,561
	Qtr II	892,438	110,432	89,118
	Qtr III	903,909	111,517	90,731
	Qtr IV	939,716	118,130	91,222
1999	Qtr I	929,874	115,903	94,066
	Qtr II	953,614	119,434	97,118
	Qtr III	978,424	125,988	99,687
	Qtr IV	1,023,675	129,261	100,952

a/ Seasonally adjusted by the California Department of Finance with the exception of the nonagricultural and manufacturing employment and the unemployment rate which are seasonally adjusted by the California Employment Development Department.

OTHER
INDICATORS

DOD Prime Contracts a/						Foreign Trade through California Ports			
	\$ millions	% of U.S.		\$ millions	% of U.S.		\$ millions		\$ millions
1981-82	22,685	21.8	1990-91	24,265	19.5	1999		2000	
1982-83	26,387	22.2	1991-92	23,843	21.2	Jan	23,484	Jan	27,067
1983-84	28,520	23.0	1992-93	22,952	20.1	Feb	23,751	Feb	27,883
1984-85	29,115	20.8	1993-94	22,573	20.5	Mar	26,988		
1985-86	27,738	20.4	1994-95	18,277	16.8	Apr	25,670		
1986-87	24,515	18.4	1995-96	18,230	16.7	May	25,717		
1987-88	23,458	18.7	1996-97	18,477	17.3	Jun	27,897		
1988-89	23,125	19.3	1997-98	17,401	15.9	Jul	27,901		
1989-90	22,312	18.4	1998-99	17,372	15.1	Aug	28,956		
						Sep	29,764		
						Oct	30,408		
						Nov	30,131		
						Dec	30,252		

a/ U.S. fiscal year: October through September

TECHNICAL
NOTE

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

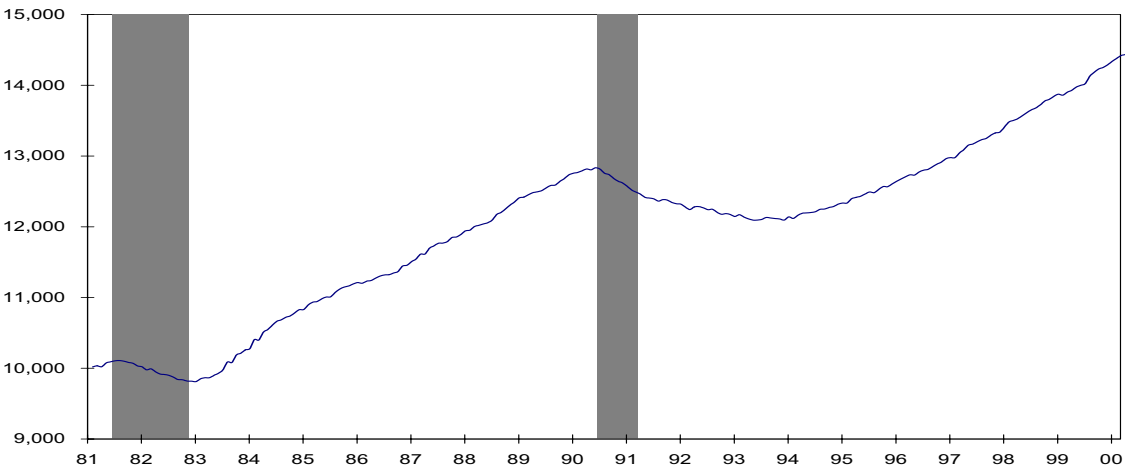
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, *The X-11 Arima Seasonal Adjustment Method* (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to “freeze” the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

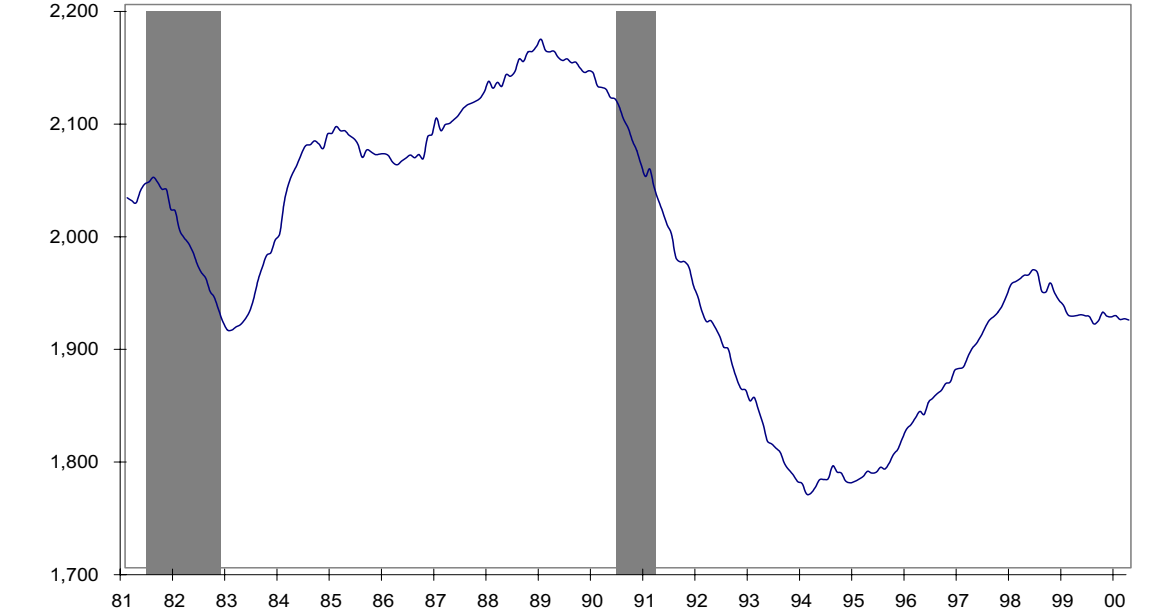
Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950. The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

NONAGRICULTURAL
EMPLOYMENT
(THOUSANDS,
SEASONALLY ADJUSTED)



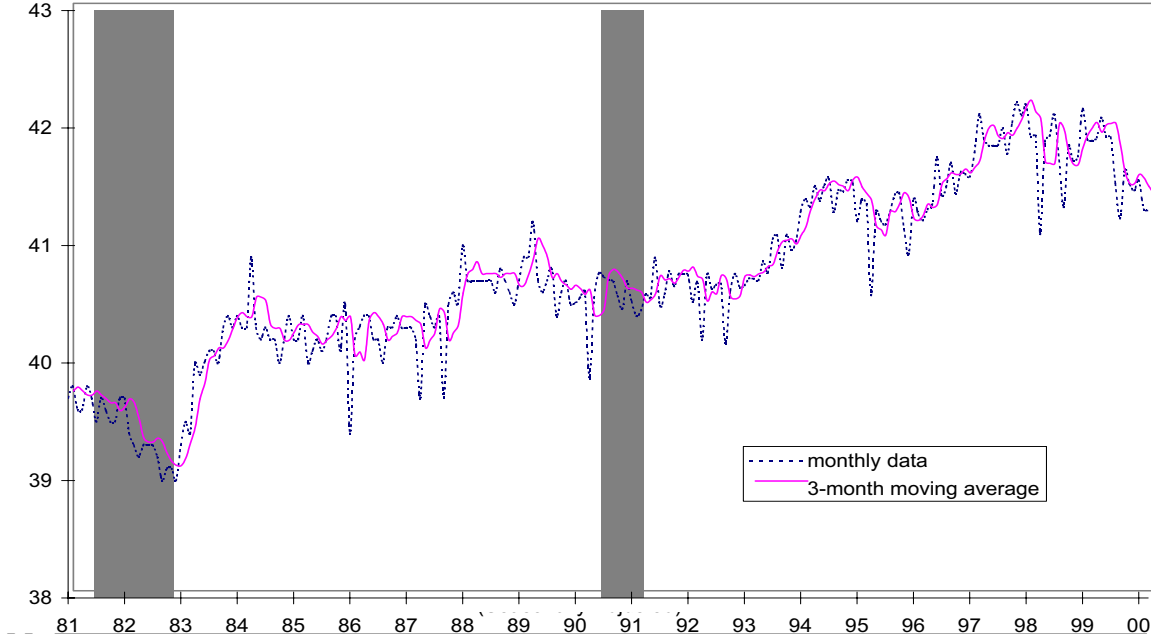
**MANUFACTURING
EMPLOYMENT**
(THOUSANDS,
SEASONALLY ADJUSTED)

— . . . —



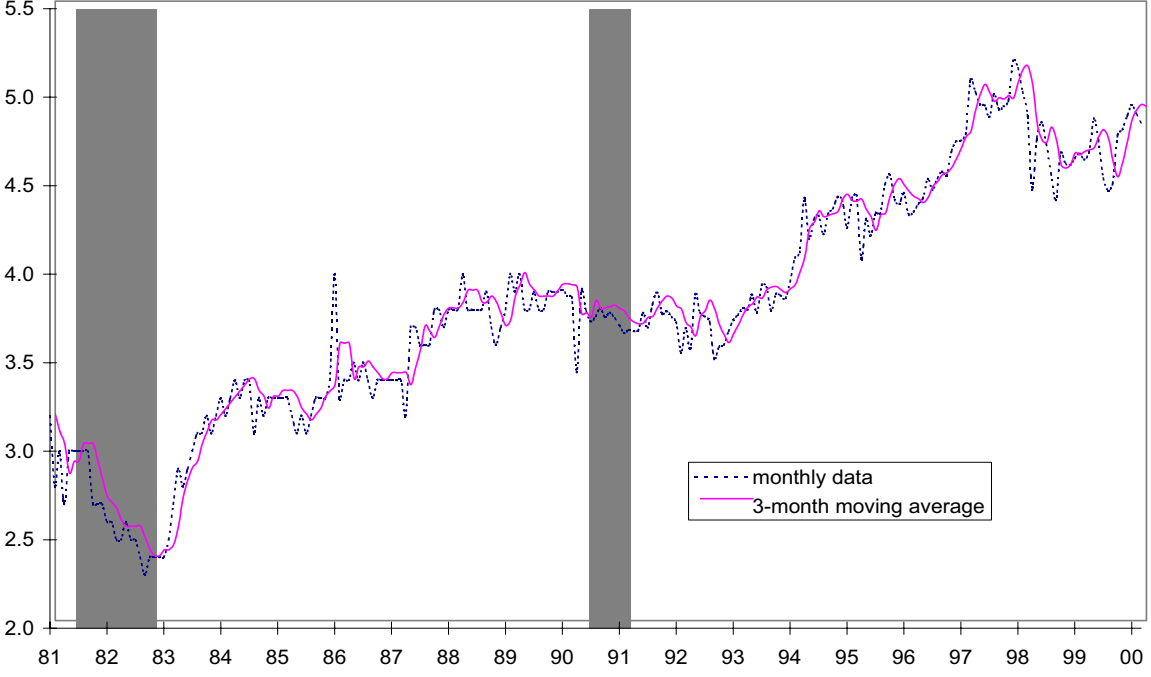
**AVERAGE WEEKLY
HOURS,
MANUFACTURING**
(SEASONALLY ADJUSTED)

— . . . —



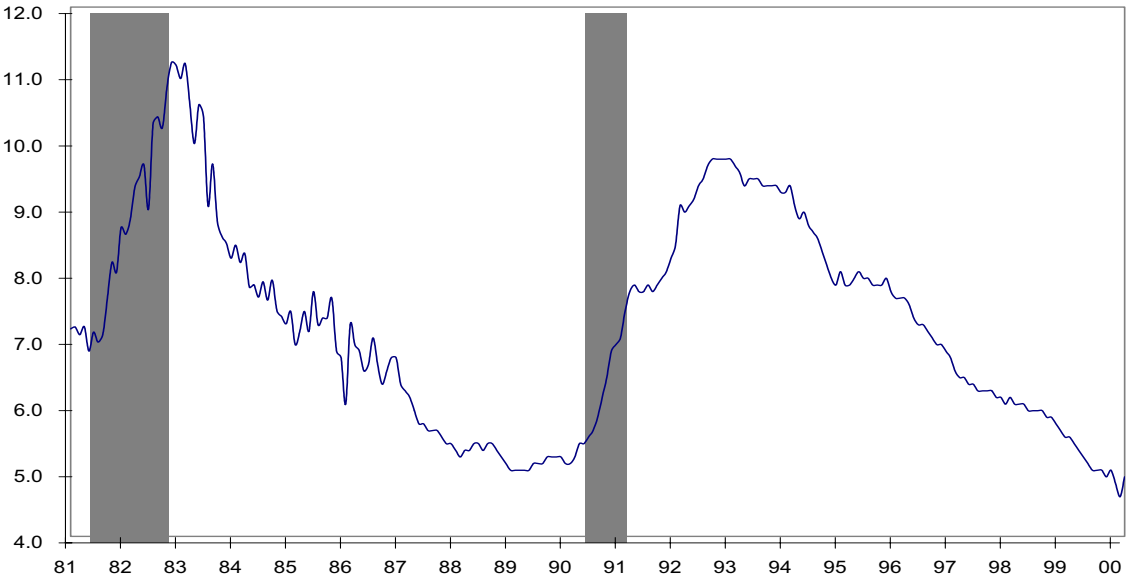
**AVERAGE OVERTIME
HOURS,
MANUFACTURING**
(SEASONALLY ADJUSTED)

— . . . —



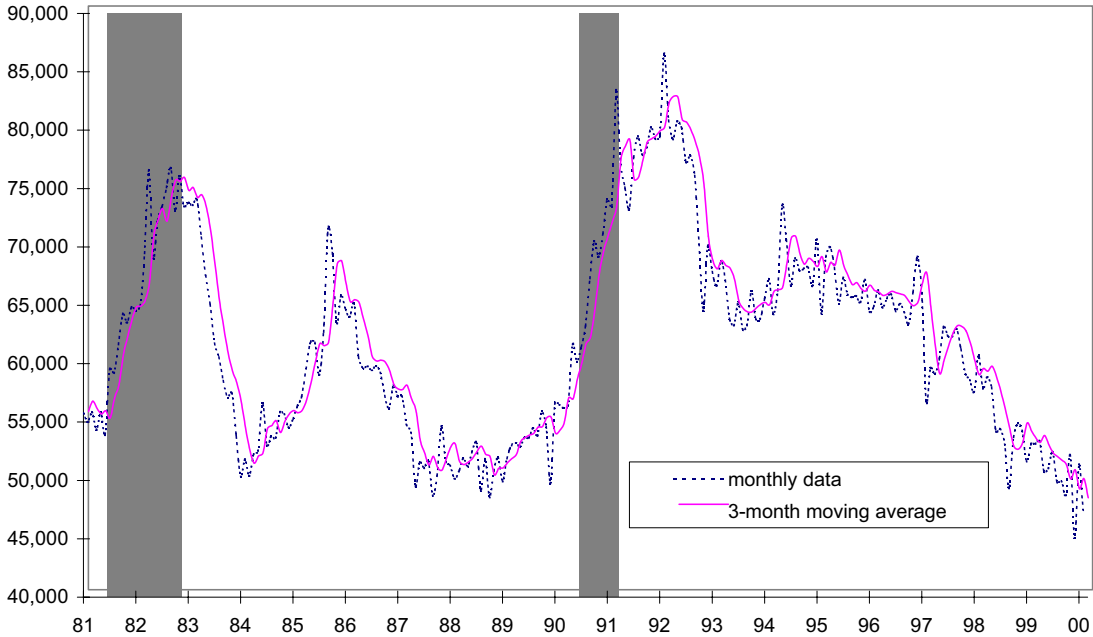
UNEMPLOYMENT
RATE
(PERCENT)

— . . . —



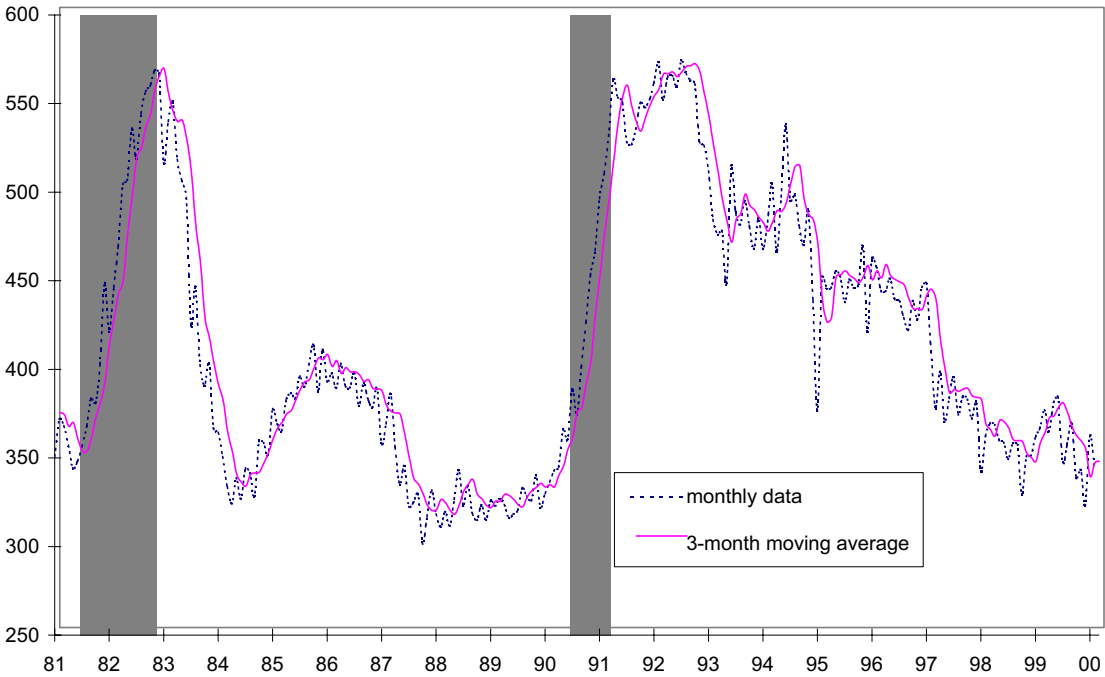
INITIAL &
TRANSITIONAL CLAIMS
FOR UNEMPLOYMENT
INSURANCE
(WEEKLY AVERAGE,
SEASONALLY ADJUSTED)

— . . . —



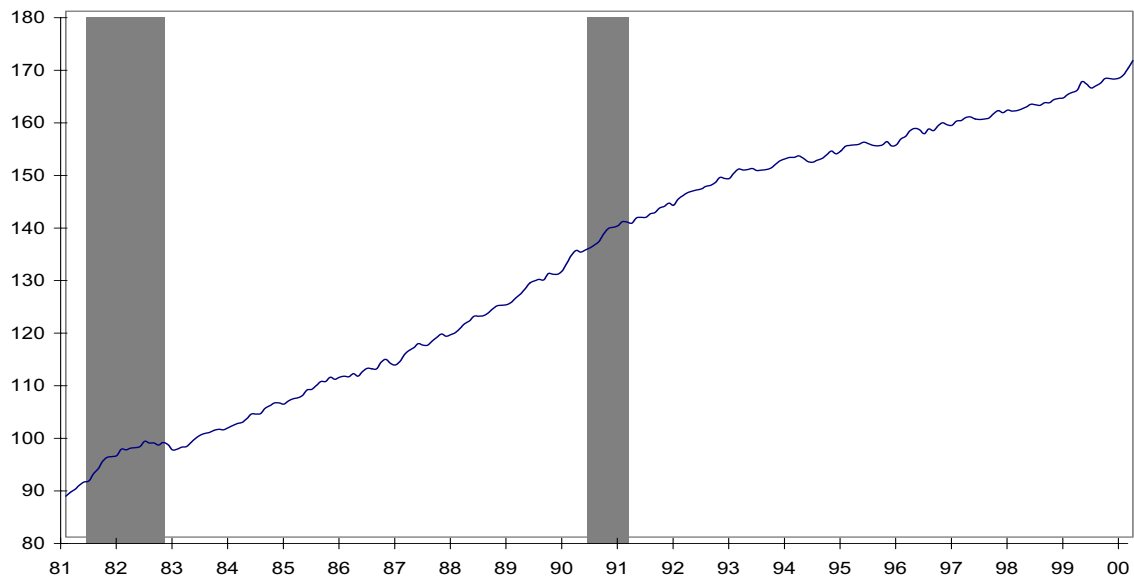
UNEMPLOYMENT,
AVERAGE WEEKS
CLAIMED
(THOUSANDS, SEASONALLY
ADJUSTED)

— . . . —



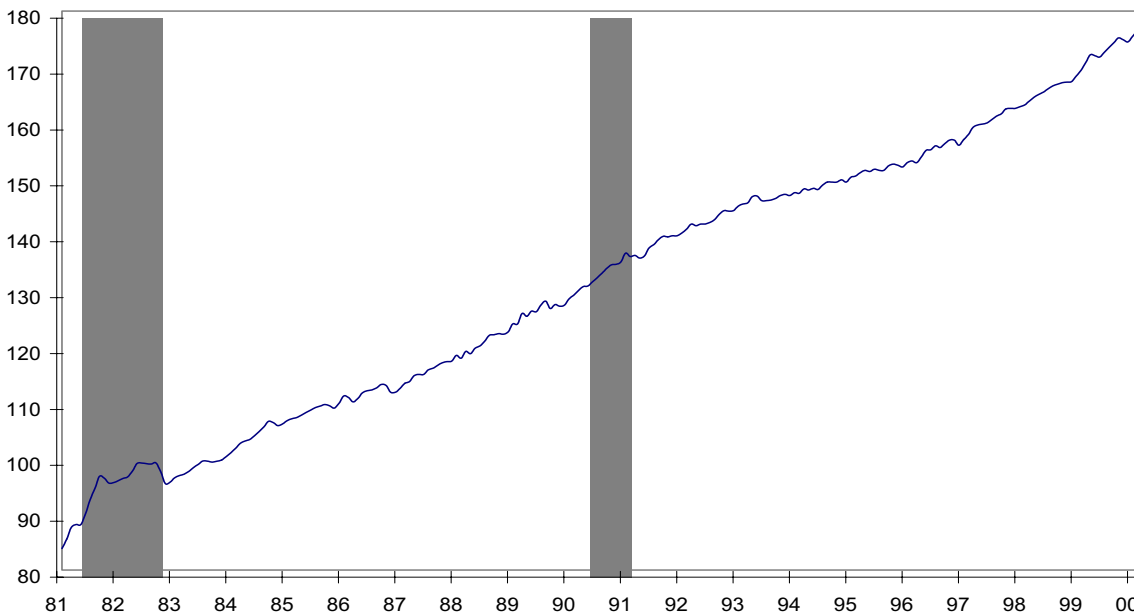
**CONSUMER PRICE
INDEX, LOS ANGELES**
(1982-84=100)

— . . . —



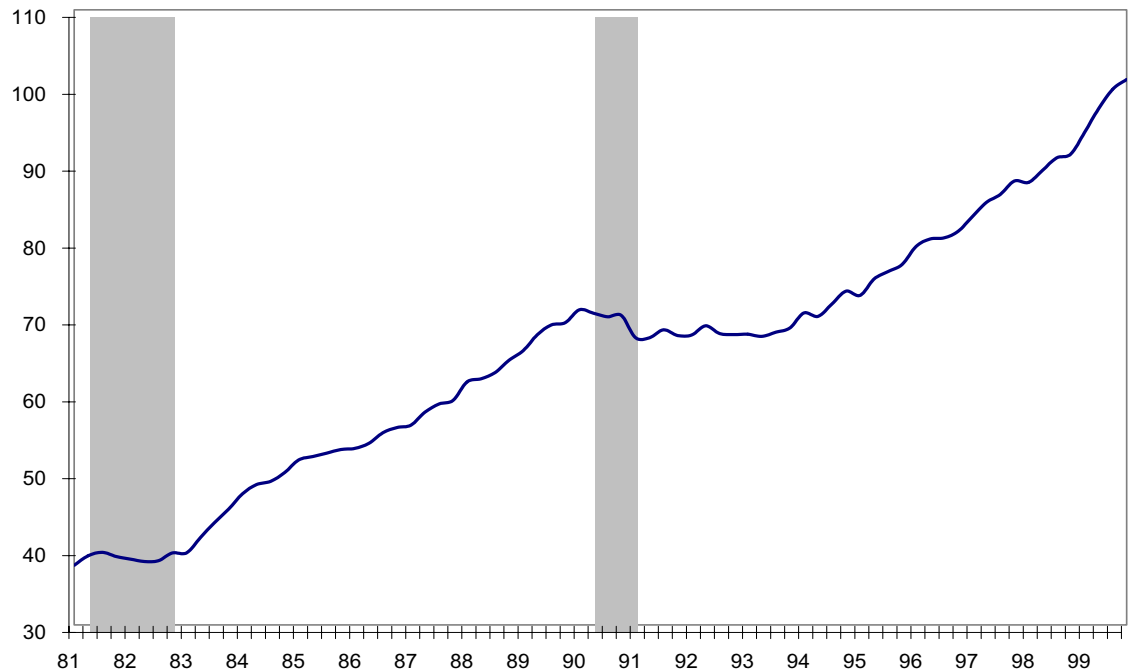
**CONSUMER PRICE
INDEX, SAN
FRANCISCO**
(1982-84=100)

— . . . —



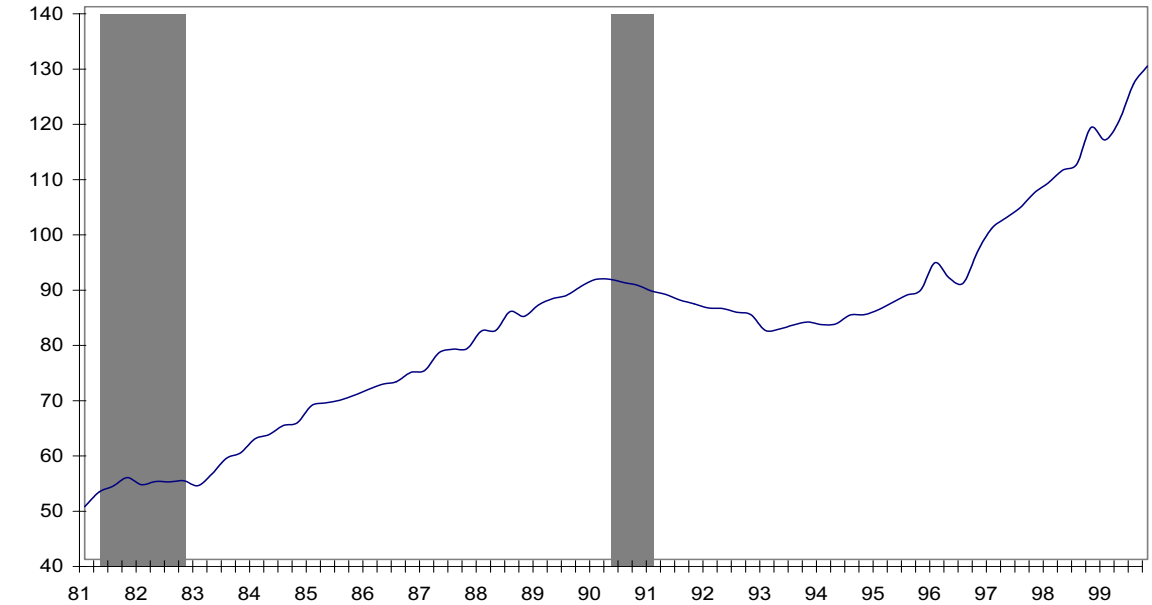
TAXABLE SALES
(DOLLARS IN BILLIONS,
SEASONALLY ADJUSTED)

— . . . —



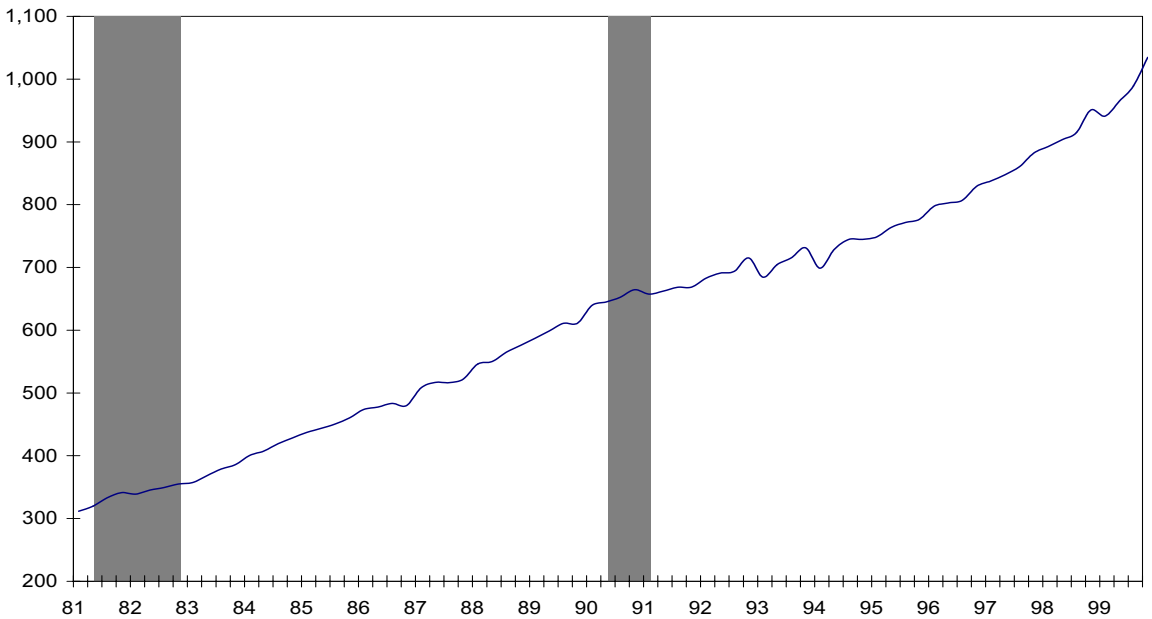
**WAGES AND
SALARIES IN MINING,
CONSTRUCTION AND
MANUFACTURING**
(DOLLARS IN BILLIONS,
SEASONALLY ADJUSTED)

— . . . —



**PERSONAL
INCOME**
(DOLLARS IN BILLIONS,
SEASONALLY ADJUSTED)

— . . . —



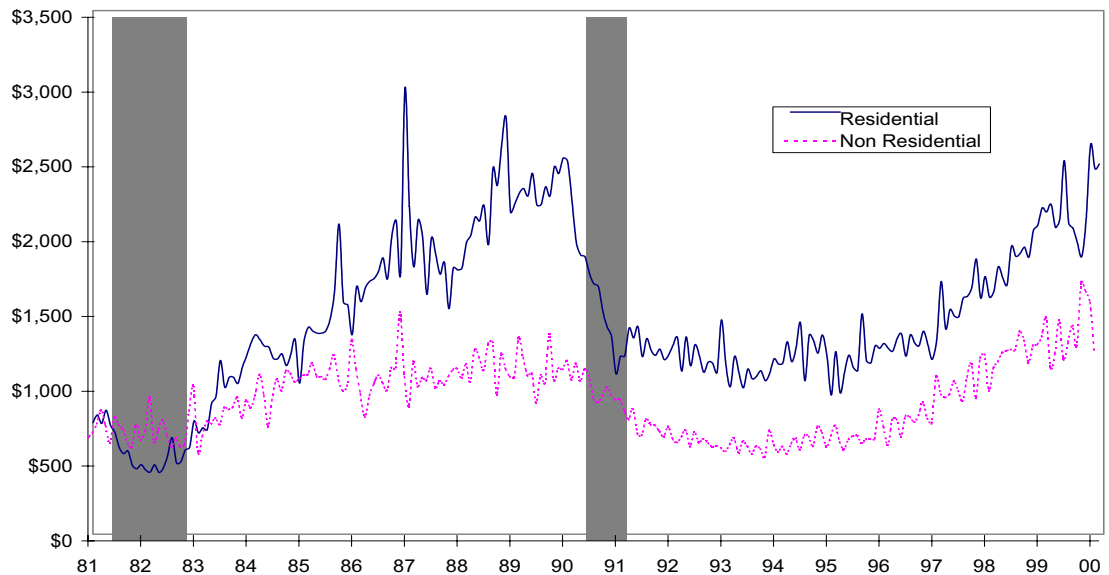
**NEW HOUSING
UNITS AUTHORIZED
BY BUILDING
PERMITS**
(THOUSANDS, SEASONALLY
ADJUSTED AT ANNUAL RATE)

— . . . —



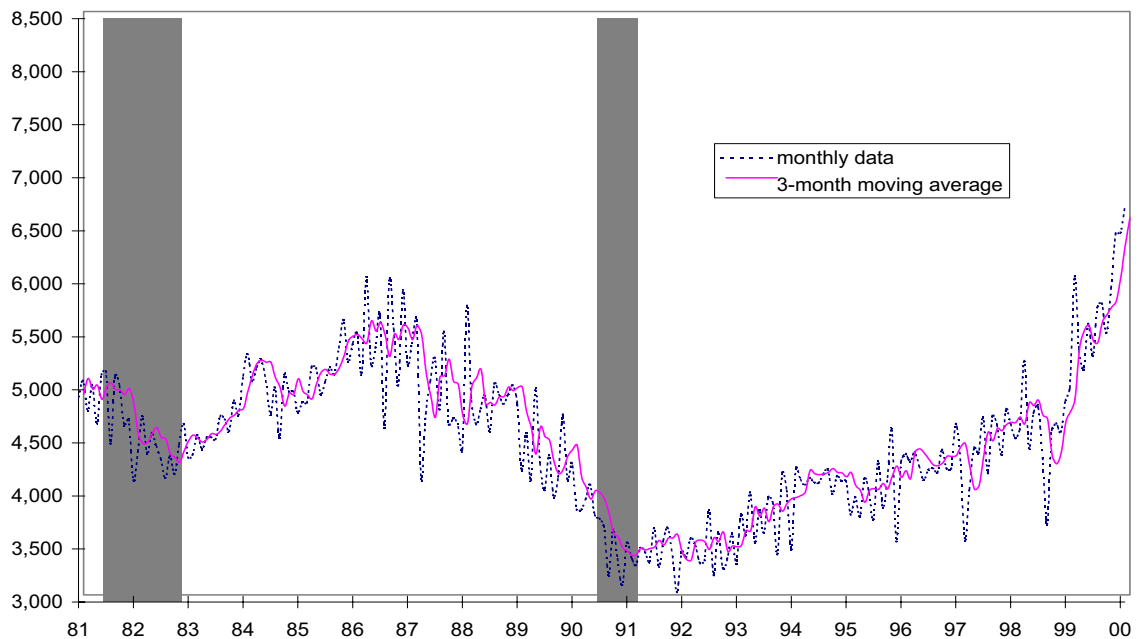
RESIDENTIAL & NONRESIDENTIAL BUILDING PERMIT VALUATION

(DOLLARS IN MILLIONS, SEASONALLY ADJUSTED)



NEW BUSINESS INCORPORATIONS

(SEASONALLY ADJUSTED)



CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included. A similar summary of event dating back to 1956 is available at the Department's home page at: <http://www.dof.ca.gov/>

1998

January 5

Bond prices surged sending the 30-year Treasury to a record low yield of 5.73 percent, while comparable government-bond yields reached their lowest levels since the 1960s.

February 2

Standard and Poor's stock index passed the 1000 milestone for the first time.

February 27

Fourth quarter 1997 GDP growth rate revised to 3.9 percent, down from an initial estimate of 4.3 percent.

March 1

California's minimum wage raised from \$5.15 to \$5.75.

Winter

El Nino-fueled storms caused widespread flooding and landslides in California.

Thirty-five counties declared federal disaster areas. The State's agriculture industry estimates a flood-related loss of \$57.4 million so far.

March 19	The U.S. trade deficit for January widened to its worst level in six years.
March 20	Boeing plans to reduce approximately 6,200 jobs in California by the year 2000.
March 24	Xerox Corp. plans to cut 10,000 jobs worldwide or 11 percent of its workforce.
March 30	OPEC agreed to cut crude-oil production by 1.25 million barrels a day.
April 6	Dow Jones Industrial average topped the 9000 mark.
April 8	Tornadoes swept the South causing death and significant property damage.
April 13	NationsBank formally announced its merger with BankAmerica while BancOne confirmed its planned combination with First Chicago.
April 14	Intel announced that it will eliminate up to 3,000 jobs over the next six months.
April 22	National Semiconductor plans to cut its worldwide workforce by 10 percent, or about 1,400 people.
May 6	Compaq plans to eliminate 15,000 jobs following its purchase of Digital Equipment
June 4	Motorola plans to layoff 10 percent of its workforce, or about 15,000 workers.
June 5-July 28	United Auto Workers strike at General Motors.
June 8	Wells Fargo & Co. and Norwest agreed to merge.
June 12	California's unemployment rate fell in May to its lowest level in nearly 8 years.
June 18	Texas Instruments plans to eliminate 3,500 jobs worldwide, about 8 percent of its payroll.
June 24	OPEC agreed to cut crude-oil production by 1.4 million barrels per day. June 25 Rockwell International Corporation will cut 9 percent of its workforce, or 3,800 jobs.
June 26	El Niño damage to California's agricultural industry soars to \$422 million. Lockheed announced its plan to lay off 2,500 workers at Sunnyvale, California.
June	Japan officially declares a recession.
June 29	Chinese and U.S. companies signed \$1.1 billion in new business deals, including China's agreement of intent to purchase 27 Boeing Co. jetliners.
July 10	IMF agreed to provide Russia with an assistance package worth \$14 billion.
July 16	Lockheed Martin called off its proposed merger with Northrop Grumman. The Nasdaq composite edged over 2,000 for the first time.
August 13	Boeing to transfer selected 737 assembly processes to Long Beach, California.
August 14	California agriculture flourished in 1997, breaking records in both production and income NationsBank and BankAmerica merger gets federal approval.
August 17	Golden State Bancorp and California Federal Bank agreed to merge.
August 31	The Dow Jones Industrial average fell 512.61 points wiping out what remained of the year's gains. The Nasdaq Composite fell 140.43, its worst point drop ever.
September 2	Northwest Airlines issued layoff notices to 27,500 employees, or 55 percent of its workforce.
September 15	Rockwell International Corp. to eliminate around 900 jobs.
September 17	Citigroup expects to eliminate about 8,000 jobs by year end, or 5 percent of its workforce.
September 21	Russia devalues currency and restricts international transactions including debt repayments. Financial firms have lost more than \$8 billion so far in the fallout from Russia's financial collapse.
September 29	Federal funds rate reduced from 5.50 percent to 5.25 percent. Dow Jones Industrial average fell 237.90 points the next day.
October 2	California's credit rating was upgraded by Moody's Investors Service Hewlett-Packard Co. will eliminate 2,500 jobs or 2 percent of its workforce.
October 6	Washington Mutual Inc. will close 161 branches in California as a result of its Home Savings of America acquisition.
October 7	Raytheon Co. to cut workforce by 14,000.
October 8	Packard Bell NEC to cut U.S. workforce by 20 percent.
October 12	Merrill Lynch will cut work force by 3,400 or 5 percent.

October 15	Federal funds rate reduced from 5.25 to 5.00 percent. Discount rate reduced from 5.00 to 4.75 percent. The Dow Jones Industrial average rose to more than 330 points and led to rallies in European, Asian and Latin American stock markets. Canada and Argentina followed with rate cuts of their own.
October 30	Third quarter GDP jumped to an annual rate of 3.3 percent exceeding estimates.
November 12	Brazil reached a pact with leading countries and lenders on a \$42 billion rescue package, in a move aimed at preventing the financial crisis from spreading throughout South America.
November 17	Federal funds rate reduced from 5.00 to 4.75 percent. Discount rate reduced from 4.75 to 4.50 percent.
December 1	Exxon and Mobil confirmed their plans to merge, creating the world's largest oil producer.
December 2	NEC Electronics lays off about 400 workers or 13 percent of its U.S. workforce.
December 9	MCI WorldCom Inc. plans to layoff about 3,750 or between 3 to 5 percent of its workforce. Trans World Airlines announced its biggest plane order ever, confirming it has placed orders and options for up to 250 Airbus and Boeing jets.
<hr/> 1999 <hr/>	
January 1	A new reserve currency, the "euro" is introduced, creating a single market in Europe. It will be the currency of reference for the 11 countries participating in the European Monetary Union.
January 13	Brazil devalues its currency sending U.S. stocks into a free fall.
January 21	The 1998 trade deficit hit an all-time high of \$175 billion, 58 percent more than the shortfall recorded in 1997.
March 22	OPEC agreed to reduce crude oil production by 2.1 million barrels per day and maintain lower levels of output for a full year.
March 29	Dow Jones Industrial average topped the 10,000 mark.
April 9	The European Central Bank cut its key discount rate, for the first time, from 3.0 to 2.5 percent.
June 29	Federal funds rate raised from 4.75 to 5.00 percent.
July 28	GDP rose 2.3 percent in second quarter.
August 24	Federal funds rate raised from 5.00 to 5.25 percent. Discount rate raised from 4.50 to 4.75 percent.
September 21	A 7.6 magnitude earthquake hits Taiwan.
September 30	In 1998, the US poverty rate fell to its lowest in 20 years at 12.7 percent. Real median household income hit a record 3.5 percent growth surpassing its pre-recessionary peak in 1989, and for the first time since 1975, all four US regions experienced significant increases.
September 30	Second quarter GDP growth rate revised to 1.6 percent, the smallest gain in four years.
October 4	MCI WorldCom to buy Sprint.
October 13	Producer Price Index for finished goods jumped 1.1 percent in September, the largest monthly increase in 9 years.
October 15	California's unemployment rate dropped to 4.9 percent, the lowest since 1969.
October 27	GDP for third quarter grew at 4.8 percent, 2 nd quarter growth rate was revised upward to 1.9 percent from the original 1.6 percent.
November 1	Dow Jones & Co. added the technology leaders Microsoft and Intel as well as two other issues, to its industrial average, the first time that Nasdaq stocks have been included. It also dropped four companies that have been components for most of the 20 th century.
November 2	Nasdaq closed above the 3000 mark for the first time. Packard Bell says it will end its computer manufacturing business, close its Sacramento plant, and lay off 80 percent of its US workforce.
November 16	Federal funds rate raised from 5.25 to 5.50 percent. Discount rate raised from 4.75 to 5.00 percent.
November 17	Crude-oil futures hit an almost nine-year high, rising 90 cents to \$26.60 a barrel.
November 24	Third quarter GDP grew at an annual rate of 5.5 percent, well above previous estimates.
November 30	Exxon and Mobil merger approved by federal regulators.

CALIFORNIA
DEPARTMENT
OF FINANCE

915 - L STREET
EIGHTH FLOOR
SACRAMENTO, CA
95814

TO

BEGINNING ISSUE	AMOUNT DUE
JAN/FEB	\$8.00
MAR/APR	6.75
MAY/JUNE	5.40
JULY/AUG	4.05
SEPT/OCT	2.70
NOV/DEC	1.35

MAIL SUBSCRIPTION REQUEST
AND PREPAYMENT
(NO BILLING AVAILABLE) TO:
CA DEPARTMENT OF FINANCE
P.O. Box 151
SACRAMENTO, CA 95801

YOU CAN OBTAIN THE
CALIFORNIA ECONOMIC
INDICATORS,
AND OTHER
DEPARTMENT OF
FINANCE PUBLICATIONS
ON THE INTERNET AT
WWW.DOF.CA.GOV

**December 2**

The euro fell to parity with the dollar for the first time since its launch in January as Europe's common currency.

December 17

Pharmacia and Monsanto agreed to merge.

December 22

Third quarter GDP rose at 5.7 percent annual pace, above the previous estimate of 5.5 percent.

December 29

Nasdaq closed above the 4000 mark for the first time.

2000**January 27**

Fourth quarter GDP grew at an annual rate of 5.8 percent.

February 2

Federal funds rate raised from 5.50 percent to 5.75 percent.

Discount rate raised from 5.00 percent to 5.25 percent.

February 4

The nation's jobless rate at 4 percent is lowest in 3 decades.

February 7

Pfizer Inc. and Warner-Lambert Co complete merger deal.

March 20

Boeing Co. engineers and technical workers returned to work after a 40-day strike ending one of the biggest white-collar walkouts in US history.

Crude oil prices drop below \$30 a barrel.

March 21

Federal funds rate raised from 5.75 percent to 6.0 percent.

Discount rate raised from 5.25 percent to 5.50 percent.

March 30

GDP growth rate for 4th quarter was revised upward to 7.3 percent, its strongest pace since 1984.

April 7

President Clinton signed into law a bill allowing older Americans to work without losing any of their Social Security benefits.

April 10

Wells Fargo & Co agreed to acquire First Security Corporation of Utah.

April 27

First quarter GDP grew at an annual rate of 5.4 percent with consumer spending jumping 8.3 percent, the sharpest gain in more than 17 years.

Employment cost index jumped 1.4 percent in the first quarter, the sharpest increase in 11 years.